

ACF

Administration for Children and Families

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Administration on Children, Youth and Families

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2. Issuance Date: Sept. 16, 1996

3. Originating Office: Children's Bureau and Office of Program Support, Office of State Systems

4. Key Word: Statewide Automated Child Welfare Information System (SACWIS)

PROGRAM INSTRUCTION

TO: State Agencies Administering or Supervising the Administration of Programs under Titles IV-E and IV-B of the Social Security Act.

Regional Administrators, ACF
Regions I - X

SUBJECT: Extension of Federal Financial Participation (FFP) Rate for the Child Welfare Program Under Title IV-E of the Social Security Act (Act).

LEGAL AND RELATED REFERENCES: Section 474(a)(3)(C) and section 1132 of the Social Security Act; P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (title V); 45 CFR Part 95, Subpart A; and 45 CFR 1355.52.

SUPERSEDED MATERIALS: **This Program Instruction supersedes ACYF-PI-CB-96-05, issued May 10, 1996.**

PURPOSE: This Program Instruction is intended to:

(1) inform the States of the passage of legislation that extends the period of enhanced Federal funding for Statewide Automated Child Welfare Information Systems (SACWIS) through September 30, 1997, and

(2) to provide guidance concerning the submission of claims for for "holdback" payments, escrow accounts and claiming requirements made after the September 30, 1997 deadline for enhanced funding.

BACKGROUND: Under section 474(a)(3)(C) of the Act, Federal financial participation (FFP) at the 75 percent matching rate was made available from October 1, 1993 through September 30, 1996 for the planning, design, development, and installation of a SACWIS.

On August 22, 1996, the President signed the "Personal Responsibility and Work Opportunity Reconciliation Act of

1996, P.L. 104-193" which, in part, amended section 474(a)(3)(C) of the Act to extend the enhanced SACWIS FFP rate until September 30, 1997.

45 CFR 1355.52(a) and (b) provide a further explanation of the FFP rates applicable to SACWIS planning, design, development, installation and hardware costs. The 75 percent FFP rate was never applicable to SACWIS operational costs, which remain eligible for Federal funding at the 50 percent FFP rate, in accordance with 45 CFR 1355.52(c).

DISCUSSION: **System Development and Holdback Payments.**

It is not anticipated that all State SACWIS implementation projects will be completed and approved by the September 1997 deadline as specified in the Act. In fact, many States may have contracts with various systems developers and others for SACWIS design and implementation that extend beyond the new deadline. Therefore, the following guidance is provided in this PI on holdback payments, escrow accounts and the associated limitations of those accounts, reporting requirements and other provisions related to claiming FFP for SACWIS development.

Holdback Payments. Since it is a standard contractual practice that a portion of each scheduled progress payment be retained or "held back" by the State pending successful completion and acceptance of the entire project, many of these "holdback" payments will not be made to the respective contractors until after the September 30, 1997 termination of the availability of FFP at the 75 percent rate.

Escrow Accounts. To preserve its claim for Federal funding at the 75 percent FFP rate, the State must establish an escrow account with a third party. This account must be established by September 30, 1997 and must be located outside the control of either the title IV-E program administrator or the State agency responsible for the administration of the title IV-E Program. The amount deposited to this account should equal the 25 percent State share of the payments being held back pending the system development completion, as specified in the State's contract. These holdback payments, when made to the vendor, will remain eligible for Federal funding at the 75 percent FFP rate, using the amount in the escrow account as the State's share of these payments.

Limitations:

- 1) An escrow account may be used only for holdback amounts associated with SACWIS project work completed on or before September 30, 1997.
- 2) Deposits to the escrow account must also be made by September 30, 1997 and should not exceed the **25 percent State share** of the holdback amounts.
- 3) Holdback amounts associated with SACWIS project work completed on or after October 1, 1997 do not qualify for deposit to the escrow account and will only be eligible for Federal funding at the 50 percent rate.
- 4) Any regular, contractual, non-holdback payments made on or after October 1, 1997 do not qualify for deposit to the escrow account and will only be eligible for Federal funding at the 50 percent rate.
- 5) Additional Federal funding at the 75 percent FFP rate will not be available to correct system deficiencies identified by the State, including deficiencies concerning contract deliverables, if such corrections are made after September 30, 1997.

Financial Reporting. For Federal reporting purposes, funds placed in an escrow account will not be considered expenditures at the time deposited. Upon successful completion of the SACWIS project as accepted by the State, holdback payments made to the contractor will include funds from the escrow account (subject to the "Limitation" described above) and should be claimed as "prior quarter adjustments" at that time.

Prior Quarter Adjustments. For the purposes of determining the applicable FFP rate for those expenditures affected by this change, the date the expenditure is made (or the quarter to which the expenditure is allocated) is the controlling factor. Any expenditure made prior to October 1, 1997, but claimed within two years later than that date will remain eligible for Federal funding at the 75 percent FFP rate.

Timely Filing. The requirement under Section 1132 of the Social Security Act and 45 CFR Part 95, Subpart A that claims be filed within two years of the last day of the quarter in which the expenditure was made remains in effect. Any claim found to meet the criteria for an exception to the two-year deadline, will remain eligible for Federal funding at the 75 percent FFP rate regardless of when that claim is filed.

Depreciation Claims. Claims filed in accordance with a multi-quarter depreciation schedule are eligible for FFP at the rate applicable to the quarter to which the depreciation is allocated. Depreciation claims applicable to quarters prior to October 1, 1997 will continue to be eligible for FFP at the enhanced rate; depreciation claims applicable to quarters beginning on or after October 1, 1997, will be eligible for FFP only at the 50 percent rate.

(Example: (ADP) equipment purchased in accordance with an approved plan in July 1994 is to be depreciated over a five-year period, from July 1994 through June 1999. The portion of the depreciation allocated to and claimed for quarters beginning July 1994 and ending September 1997 will be eligible for Federal funding at the 75 percent FFP rate; the portion of the depreciation allocated to and claimed for quarters beginning October 1997 and ending June 1999 will be eligible for Federal funding at the 50 percent FFP rate.)

EFFECTIVE DATE: The 75 percent FFP rate for SACWIS expenditures is extended through September 30, 1997. Federal funding is only available at the 50 percent FFP rate for all SACWIS expenditures made **on or after October 1, 1997.**

INQUIRIES: Direct inquiries to the appropriate ACF Regional

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Olivia A. Golden
Commissioner
Administration on
Youth and Families

Norman L. Thompson
Director
Office of Program Support